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TAGS: ECON ETRD POL OEC JA
SUBJECT: NEW CONSUMER AFFAIRS AGENCY GAINS LOWER HOUSE
APPROVAL

REF: TOKYO 850

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¶1. (U) Summary: The House of Representatives April 17 approved government-sponsored legislation to create a new Consumer Affairs Agency (CAA) under the Cabinet office. The vote was unanimous, indicating disagreement with the opposition Democratic Party of Japan (DPJ) has been resolved and opening the way for the bill to become law during the current Diet session. End Summary

¶2. (SBU) The government has not yet released the final text of the legislation. However, Embassy discussions with officials in the Cabinet Office and the Japan Fair Trade Commission, who have been closely involved in the legislative process, indicate the final bill is very close to the draft first proposed in 2008. One major change advocated by the DPJ and reportedly accepted by the ruling party establishes a quasi-independent consumer commission, consisting of outside, non-governmental experts, to oversee the work of CAA bureaucrats.

¶3. (SBU) The CAA's immediate task, under the law, will be to establish itself as a consumer advocate within the government and a clearinghouse for information rather than as a standard-setting body. In recent scandals involving mislabeled or dangerous products, there have been complaints that local governments have failed to share information in a timely manner. At least in the initial stages, most of the new CAA's staff will be seconded from existing agencies and ministries. Contacts at the Japan Fair Trade Commission tell us they expect some 150 of their staff to transfer, at least temporarily, to the new agency.

¶4. (U) The proposal to create a Consumer Affairs agency was an initiative of former Prime Minister Fukuda but legislation on this subject had languished since his September 2008 resignation. Prime Minister Aso, taking advantage of his recently improved public support rate, chose to move the legislation now, in part to add another accomplishment his government can claim should he decide to call a snap election following passage of the proposed 2009 supplemental budget

bill (Ref). The DPJ, stung by scandal allegations against leader Ichiro Ozawa, did not want to oppose a consumer protection bill so close to the next Lower House election.

¶5. (SBU) Comment: The Embassy will focus closely on the establishment of the new agency and the regulations and procedures it develops. We are encouraged that so many of the CAA staff will come from the JFTC, which has a long and positive relationship with its USG counterpart. The strong U.S. record on consumer issues and past U.S.-Japan cooperation on competition issues serve as a model for future regulator-to-regulator engagement with the CAA. The U.S.' aim should be to encourage the new agency to ensure its work is based on the principles of transparency and sound, science-based standards. We need, in particular, to push the new agency and other pertinent authorities to avoid "regulatory double-jeopardy" in which supervision of an industry ends up divided between an incumbent regulator and the new CAA. We will also need to be attentive to opinions of U.S. stakeholders; a number of U.S. firms have already expressed concerns the CAA might become an anti-market, pro-protectionist force.

ZUMWALT